

UNITED STATES OF AMERICA
BEFORE THE NATIONAL LABOR RELATIONS BOARD

NORTHWESTERN UNIVERSITY,

Employer,

and

COLLEGE ATHLETES PLAYERS
ASSOCIATION (CAPA),

Petitioner.

Case No.: 13-RC-121359

**BRIEF OF AMICUS CURIAE
HIGHER EDUCATION COUNCIL
OF THE EMPLOYMENT LAW ALLIANCE
IN SUPPORT OF EMPLOYER
NORTHWESTERN UNIVERSITY**

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I. STATEMENT OF AMICUS CURIAE

The Employment Law Alliance (ELA) is an integrated, global practice network comprised of independent law firms distinguished for their practices in labor and employment law. With more than 3,000 experienced attorneys located in more than 130 countries and across the 50 United States, it is the world's largest network of labor and employment lawyers. The Higher Education Council is a sub-Council of the ELA which includes the following United States law firms with labor and employment practices with significant expertise in the field of higher education.

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The ELA's Higher Education Council collectively represents hundreds of private institutions of higher education across the United States. The Council submits this brief to seek clarity and a workable approach for its clients in higher education.

II. INTRODUCTION

The ELA Higher Education Council addresses here two questions raised by the N.L.R.B. in its Invitation to File Briefs in this case:

1. What test should the Board apply to determine whether grant-in-aid scholarship football players are “employees” within the meaning of Section 2(3) of the Act, and what is the proper result here, applying the appropriate test?

2. Insofar as the Board’s decision in *Brown University*, 342 N.L.R.B. 483 (2004), may be applicable to this case, should the Board adhere to, modify, or overrule the test of employee status applied in that case, and if so, on what basis?

We answer these questions as follows:

The Board should apply the test from *Brown University*, 342 N.L.R.B. 483 (2004), which asks whether the student-athletes’ relationship with the university is primarily educational or primarily economic. There is no reasoned justification for departing from *Brown*, which was based on nearly 30 years of settled N.L.R.B. precedent in the higher education context. Properly applied, *Brown* established that the grant-in-aid student-athletes are students participating in extracurricular activities, not employees providing services to the University for wages.

In contrast, the common law employee test used by the Regional Director in his March 26, 2014 Decision and Direction of Election (“DDE”), is inapplicable and unworkable in the context of higher education. It is useful only in situations that plausibly approximate an employment relationship. There it simply distinguishes employees from independent contractors. It has little if any utility in distinguishing students from employees. But even if applicable, the common law test must account for “all of the incidents of the relationship” – here, the entire educational, extracurricular and intercollegiate nature of the student-athlete’s activities while enrolled at Northwestern University (“NWU” or “University”). Accounting for all of the relevant facts and circumstances, it too compels the conclusion that NWU’s football players are students rather than employees.

III. BROWN PROVIDES THE PROPER LEGAL STANDARD AND COMPELS THE CONCLUSION THAT THE FOOTBALL PLAYERS ARE STUDENTS, NOT EMPLOYEES.

The Board should apply its test from *Brown* here, because that test is appropriately contextualized for determining coverage of the National Labor Relations Act (NLRA) in higher education. There is no reasoned justification to depart from *Brown*, and affirming its continuing vitality will provide consistency and predictability for the higher education community. Proper application of the *Brown* test establishes that NWU's grant-in-aid football players are not statutory employees.

A. There is No Reasoned Justification for the Board to Deviate from the *Brown* Test.

In *E.I. Du Pont de Nemours and Company v. N.L.R.B.*, 682 F.3d 65 (D.C. Cir. 2012), the U.S. Court of Appeals for the D.C. Circuit reiterated the well-established principle that decisions of the Board that deviate from Board precedent will not be enforced unless there is a "reasoned justification" for such a deviation. *Id.* There is absolutely no reasoned justification for the Board to deviate here from the test it set forth in *Brown*, and from the 30 years of N.L.R.B. precedent on which *Brown* relies.

In *Brown*, the Board emphasized that the NLRA was intended to cover only *economic* relationships. Relationships that are primarily *educational* in nature are inappropriate for collective bargaining. *Brown*, 342 N.L.R.B. at 488. *Brown's* "primary relationship" test is based on sound policy and common sense. Collective bargaining under the NLRA affords the individual workers the ability to exercise economic power through concerted activity. This concept is antithetical to the student-university relationship, because students enter into that relationship to serve their own interests in gaining the education offered by the institution, both in and out of the classroom, not because they seek financial rewards from the institution itself. *See St. Clare's Hosp.*, 229 N.L.R.B. 1000, 1002 (1977). The institution and the student have mutual interests in enhancing the quality and breadth of that education; their interests are aligned, not at odds. This makes the educational setting qualitatively different from the

industrial setting, where employees and employers have “contrary and to some extent antagonistic viewpoints and concepts of self-interest.” *Brown*, 342 N.L.R.B. at 6 (quoting *N.L.R.B. v. Insurance Agents*, 361 U.S. 477, 488 (1960)). As such, as both *Brown* and the Supreme Court recognize, “principles in the industrial setting cannot be imposed blindly on the academic world.” *Id.* 5; *Yeshiva University*, 444 U.S. 672, 680-81(1980). To import collective bargaining from an industrial setting to the setting of higher education would interfere with the individualized, educational decision-making that is the hallmark of higher education generally, in both academic and extracurricular programs. Not only are such decisions inappropriate for collective bargaining, but the very nature of the collective bargaining process and the adversarial, economic relationship animating it, could undermine the fundamentally educational nature of the relationship between the University and its students. This would be the case whether the student are graduate student assistants or student-athletes.

The policies and principles animating *Brown* are as valid and important today as they were in 2004 and going dating back to *Leland Stanford Junior University*, 214 N.L.R.B. 621 (1974), where the Board first recognized them. There is no reasoned justification for departing from them. Accordingly, the Board should affirm the continuing validity of *Brown* and apply it here.

B. The Relationship of Grant-in Aid Football Players to the University is Fundamentally Educational.

Contrary to the Regional Director’s analysis in the DDE, the *Brown* test asks one question: whether the relationship between the university and its students is primarily “educational” or primarily “economic.” *Brown*, 342 N.L.R.B. at 5; *see also, e.g., St. Clare’s Hosp.*, 229 N.L.R.B. at 1002. All of the facts of the relationship are examined to answer that question. But the specific facts will vary depending on the particular students and program at issue. For example, in *Brown*, the issue was graduate student assistants, whose work was found to be directly related to their education, because they were required to be enrolled students to provide those services, received academic credit for doing so, and were supervised by academic

faculty. But the particular facts supporting the finding of student status in *Brown*, which entailed a close connection between the work and students' academic program, are not themselves requirements of the "primarily educational" test. Education is a far more expansive concept than academics.

This reveals the fundamental flaw in the Regional Director's articulation and application of *Brown*. The DDE narrows the *Brown* test from gauging the *educational* relationship to examining only the *academic* aspect of that relationship. But education at an institution of higher education encompasses not only academic activities but also extracurricular and other activities engaged in by virtue of a student's enrollment there. This is not only a matter of common usage and common sense, but is a principle embodied in federal law. In mandating equal access and non-discrimination in educational programs receiving federal funding, Title IX, for example, defines "education" to include not only academic and research activities, but also extracurricular programs such as intercollegiate athletics. 34 C.F.R. §§ 106.31(a); 106.41(a).

In equating education solely with academic education, the DDE adopts a crabbed and outcome determinative restatement of the *Brown* test at odds with the overall educational mission of colleges and universities as recognized by federal law. Properly applying the *Brown* test reveals that the student-athletes in question are primarily students and not statutory employees. First and foremost, their primary relationship with NWU is as students and is educational in nature. That educational relationship encompasses both academic and extracurricular components. And the academic piece of their educational endeavor is primary and significant, not minor.

Student-athletes can only play football at Northwestern if they have first been admitted as students, and as laid out in Northwestern's brief, the admission process is based on their academic qualifications and ability to succeed academically. Only those are admitted who are likely to succeed academically and graduate. But for this academic relationship, they cannot be members of the University's varsity football team.

The Regional Director incorrectly discounted the educational component of student-

athletes' relationship with Northwestern, including its academic aspects. He first focused his analysis on the relative amounts of time spent in athletic activities versus academic activities, again wrongly assuming that athletic activities are not part of the educational program offered at Northwestern. Furthermore, his analysis glosses over the facts showing the key role academics play in student-athletes' education at Northwestern, beginning with the necessity that they meet the University's academic qualifications and admission standards. Grant-in-aid student-athletes attend class, and indeed outside of football season, clearly spend more time in academic pursuits than in athletic activities. Stunningly, the DDE equates mandated study hall and study time as "football" time, but these are clearly academic activities designed to enhance the *academic* success of student athletes. The significant academic support NWU provides to student athletes to enable them to succeed academically is undisputed, which the Regional Director somehow interpreted as an indication of "employer" control. He also discounted the fact that unless student-athletes maintain their academic standing and make satisfactory academic progress, they are not eligible to continue participating in intercollege sports. The impressive graduation rates for student-athletes at NWU, also ignored in the DDE, further demonstrate that Northwestern's relationship with its student-athletes is educational, not economic.

Wrongly limiting the definition of "educational" to academics, the Regional Director seized on the lack of academic credit for participating in intercollegiate football, as well as the fact that its coaches are not members of the academic faculty. When "educational activities" are correctly defined to encompass extracurricular activities such as intercollegiate athletics, this basis for the DDE dissolves. Indeed, it cannot seriously be argued that coaches are not engaged in educational activities. As detailed in Northwestern's brief, the coaching function at NWU is one of an educator and mentor, working with student-athletes not only to achieve success on the football field but also to prepare them for life after college by fostering teamwork, collaboration, interpersonal skills and respect for others.

Further confirming that student-athletes' relationship with the University is primarily educational is the NCAA's key role in regulating intercollegiate athletics at Northwestern and

other member institutions. An overarching goal of the NCAA is sustaining the priority of academic education as a key value in college athletics, and its rules are aimed at ensuring that intercollegiate sports are an integral part of the institution's educational system and student-athletes integral parts of the student body.

The Regional Director's decision also wrongly concludes that the relationship is primarily economic due to the value of the grant-in-aid received by student athletes. *Brown* teaches, however, that financial aid provided to students does not create the economic relationship necessary for statutory employee status. In *Brown*, graduate assistants received financial support, but as here, that financial support was only provided to them as *students*. *Brown*, 342 N.L.R.B. at 7. There, as here, attendance at the university was "quite expensive," and the university "recognize[d] the need for financial support to meet the costs" of such an education. *Id.* Moreover in *Brown*, as here, the amounts received by the students at issue were generally the same as amounts received by other students and did not vary based on quality of work. *Id.* Those facts led the *Brown* Board to conclude that the value and purpose of that financial aid was primarily educational, not economic.

Here, the financial aid package received by student-athletes does not vary based on the quantity of quality of athletic performance. Student athletes who are not playing well, are injured, or simply are not talented enough to play on the field receive the same grant-in-aid. Instead, the value of the financial aid package is based on the expenses of an education at Northwestern: room, board and tuition. Clearly, the grant-in-aid scholarship assistance is primarily educational, not economic.

The Regional Director's skewed analysis has a certain outcome-determinative quality to it. When one defines education as only including academic education, the fact that student-athletes spent a significant amount of time in highly regulated football activities for which they do not receive academic credit and that are taught by non-faculty coaches, the finding of employment status is a nearly foregone conclusion. That conclusion becomes inevitable when one ascribes to the grant-in-aid scholarship a monetary value, while ignoring that the primary

value of the scholarship is enabling the student-athlete to obtain an elite college education and that such scholarships are provided to a significant proportion of students at Northwestern who not involved in intercollegiate sports.

Correctly applying *Brown*, however, establishes that the nature of the relationship between the student-athletes and Northwestern is primarily educational, not economic, and as such they are not statutory employees under the NLRA.

IV. THE COMMON LAW TEST IS OF LIMITED UTILITY APPLIED TO STUDENT-ATHLETES.

A. The Regional Director’s Formulation of the Common Law Agency Test of Control Is Inappropriate as Applied to Student-Athletes.

Regardless whether the Board concludes that *Brown* must be modified or overruled, it must conclude that the Regional Director was wrong to apply the common law agency test to a relationship that is fundamentally educational, not economic. That test is appropriate only where there is a plausible employment relationship in which services are exchanged for compensation. It is not appropriate in an educational setting where a student-athlete is provided an opportunity to participate in intercollegiate sports at an institution of higher education, and provided financial aid that enables him to obtain an elite college education.

The Supreme Court has observed that when a federal statute contains the term “employee” and “employment” but does not define it with any detail, “Congress means to incorporate the *established meaning* of these terms” and “intend[s] to describe the *conventional master-servant relationship* as understood by the common-law agency doctrine.” *Nationwide Mutual Ins. Co. v. Darden*, 503 U.S. 318, 322-23 (1992) (quoting *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), emphasis added). This common law doctrine is used to determine “whether a *hired party* is an employee under the general common law of agency” and involves consideration of “the *hiring party’s* right to control the manner and means by which the product is accomplished.” *Community for Creative Non-Violence v. Reid*, 490 U.S. at 751-52 (emphasis added).

By definition, therefore, the common law agency test is useful only where there is a “hiring” in which the “hiring party” engages the “hired party” to perform work in exchange for compensation. If that is the case, the test will determine whether the hired party is an employee or an independent contractor. But an individual “who was not hired in the first instance, and is therefore neither an independent contractor nor an employee, falls outside ‘the conventional master-servant relationship as understood by the common-law agency doctrine.’” *O'Connor v. Davis*, 126 F.3d 112, 115 (2d Cir. 1997) (quoting *Darden*, 503 U.S. at 322-23, 112 S. Ct. at 1348); *Kemether v. Pennsylvania Interscholastic Ath. Ass'n*, 15 F. Supp. 2d 740, 758 (E.D. Pa. 1998). In those cases, the common-law agency analysis is simply inapplicable. *O'Connor*, 126 F.3d at 115; *Graves v. Women's Professional Rodeo Ass'n*, 907 F.2d 71, 73 (8th Cir. 1990); *Kemether*, 15 F.Supp.2d at 758.

Here, the agency test is inapplicable because there is no “hiring” of student-athletes engaged in intercollegiate activities. “Hire” is not a mysterious concept. It is commonly defined as the “payment for labor or personal services.” *Miriam Webster's Collegiate Dictionary* at 549 (10th Ed. 1995). The test does not even have potential applicability in this case unless it can be said that a grant-in-aid scholarship is tantamount to a “payment for [student-athletes'] labor or services.” Such a leap requires venturing into territory well beyond the conventional and well established understanding of what it means to be “hired” and well beyond what Congress intended in enacting the NLRA.

It is also contrary to the constitution and bylaws of the National Collegiate Athletic Association (NCAA), which govern student-athletes' participation in football at Northwestern and other member institutions. Again, the organization's rules are designed to serve the NCAA's fundamental policy of ensuring that intercollegiate sports are an integral part of the institution's educational program and making a clear distinction between this fundamentally educational relationship and the business of professional sports, where professional athletes have a purely economic relationship with the teams for which they play. NCAA rules strictly prohibit students from "taking pay" for their sporting activities; students who violate this rule are ineligible for

further play at an NCAA member school. Moreover, member institutions like Northwestern are flatly prohibited from conditioning financial aid on a student's performance as an athlete. NCAA Constitution, Sec. 3-1-(a)-(1); Sec. 3-1-(g)-(2); *see generally Banks v. Nat'l Collegiate Athletic Ass'n*, 977 F.2d 1081, 1091-92 (7th Cir. 1992); *Rensing v. Indiana St. Univ. Bd. of Trustees*, 444 N.E.2d 1170 (Ind. 1983).

Indeed, the courts addressing whether grants-in-aid and other educational scholarships constitute payment for labor or services have uniformly rejected such a radical notion. Instead, they recognize the reality that scholarships “pay specific forms of expenses that the student would incur in attending school – tuition, books, room and board – [and] thereby provide the student with an education.” *Kavanagh v. Trustees of Boston University*, 795 N.E.2d 1170, 1174 (Mass. 2003) (scholarships are not wages for services rendered); *see also, e.g., Banks*, 977 F.2d at 1091 (NCAA member schools do not purchase labor through grant-in-aid athletic scholarships, whose value is based on tuition, room and board); *Townsend v. State of California*, 237 Cal. Rptr. 146, 149 (Cal. Ct. App. 1987) (“whether on scholarship or not, the athlete is not ‘hired’ by the school to participate in interscholastic competition”); *Rensing*, 444 N.E.2d at 1174 (grant-in-aid scholarship covering a student-athlete’s educational and living expenses is not “pay” for services playing football, any more than are scholarships given other students for scholastic achievement); *Korellas v. Ohio St. Univ.*, 779 N.E.2d 1112 (Ohio Ct. Cl. 2002) (rejecting argument that university had “hired” student to provide athletic success to football team in exchange for full athletic scholarship and holding student-athlete is not an employee).

The common law agency test is illuminative “only in situations that plausibly approximate an employment relationship.” *Graves*, 907 F.2d at 73-74. Student-athletes at Northwestern are not “hired” to play football. Their grant-in-aid scholarships represent support for their education, not compensation for services rendered. Their relationship with the Northwestern is so unlike a conventional employer-employee relationship that applying the test and thereby “plunging into questions of control or economic realities” is tantamount to “considering whether mitigating circumstances were present during the commission of a crime

before determining whether there is a *corpus delicti*.” *Id.* The common law agency test is simply inapplicable.

B. Even if Applicable and Useful, the Common Law Agency Test When Properly Applied Compels the Conclusion That Student-Athletes Are Not Employees.

The Regional Director’s conclusion that student-athletes are employees under the common law agency test was based on two principal factors: control by the University and compensation through receipt of a scholarship. His analysis ignores the teaching of the Supreme Court that “the common law test contains ‘*no shorthand formula* or magic phrase that can be applied to find the answer.’” *Darden*, 503 U.S. at 324 (quoting *N.L.R.B. v. United Ins. Co. of America*, 390 U.S. 254, 258 (1968), emphasis added). Instead, to come to a valid determination, “*all of the incidents of the relationship* must be assessed and weighed with no one factor being decisive.” *Id.* (emphasis added). The Regional Director failed to properly consider and assess key “incidents of the relationship” between student-athletes and the University with respect to control and compensation, and completely omitted any consideration of several other critical common law agency factors.

When the common law factor of “control” is properly assessed in the context of a higher education setting, it is revealed to be virtually irrelevant. This is because control is inherent in a residential educational setting, with the institution regulating student activities, student conduct and student academics. *E.g., Furek v. University of Delaware*, 594 A.2d 506, 516 (Del. 1991) (“The university-student relationship is certainly unique. While its primary function is to foster intellectual development through an academic curriculum, the institution is involved in all aspects of student life. Through its providing of food, housing, security, and a range of extracurricular activities *the modern university provides a setting in which every aspect of student life is, to some degree, university guided.*” Emphasis added.) Even more control is inherent in NCAA-regulated intercollegiate sports, with the NCAA imposing numerous rules and regulations on the activities of student-athletes – all designed to protect the primacy of academic

education for participating students. As such, the fact of extensive control over student-athletes' lives and activities at the University – control that results almost entirely from NCAA rules and University policies applicable to *all* students – is all but irrelevant in determining employee status.

With respect to compensation, as demonstrated above, receipt of grant-in-aid scholarships cannot be considered compensation for services rendered. The Regional Director gave short shrift to the primarily educational purpose of scholarship financial aid. Such scholarships enable recipients to pursue a college education, and are only usable for that purpose, unlike wages. And the value of grant-in-aid scholarships is the same as for all scholarship recipients generally, based on the cost of tuition, room and board, not the value of student-athletes' activities. That the athletic talent of student-athletes has led to the educational opportunity they are given is no different than talented scholars or artists being awarded full scholarships, and cannot indicate payment for services rendered. Indeed, such financial aid is exempt from taxation as income, a fact whose importance has been recognized by the Supreme Court, but largely discounted by the Regional Director. *See Darden*, 503 U.S. at 323-24 (requiring analysis of tax treatment).

The Regional Director did not consider several other factors that are critical and determinative here. For example, the common law agency tests considers whether the work being performed “is a part of the regular business of the employer.” Rest.2d Agency § 220 (h). If it is, then an employment relationship is more likely to exist. Northwestern, like other universities, is in the business of education. *Yeshiva University*, 444 U.S. 672, 680-851 (1980). It is not in the football business. Even though football and basketball programs generate significant revenues, which support non-revenue producing athletic programs, the educational institution sponsoring them is “not in the ‘business’ of playing football or basketball any more than [it is] in the ‘business’ of golf, tennis or swimming. Football and basketball are simply part of an integrated multisport program which is part of the educational process.” *Townsend*, 237 Cal. Rptr. at 149.

Another critical factor of the common law test left unexamined by the Regional Director

is whether the parties believe they are creating an employment relationship. Rest. 2d Agency § 220(i). Evidence on this issue points solely toward an educational relationship and away from an employment relationship. The Regional Director characterizes the scholarship tender as an employment contract, but nothing in the tender itself indicates any such intent. Indeed, as Northwestern points out, the contents of the tender are strictly prescribed by NCAA and Big Ten rules, which are aimed at precluding any possible implication of “pay for play” and thus contradict any hint of an employment relationship. The tender contents are also similar to scholarship offers generally, which by no stretch of logic can be considered to create an employment relationship with scholarship recipients in general.

To summarize, the common law test when properly applied, taking into account all of the incidents of the relationship between student-athletes and the University, including the educational context in that relationship arises, results in a determination that student-athletes are not employees.

V. CONCLUSION

There is no reasoned justification for the Board to modify or overrule its *Brown* decision, and the Board should not do so. Properly applied, that decision compels the conclusion that Northwestern’s student-athletes are students, not employees. They could not be athletes without first being students. They participate in both academic and extracurricular activities to serve their own interests in obtaining a college education both in the classroom and on the field. Student-athletes’ relationship with the University is primarily educational, not economic.

The common law agency test is inapplicable to relationships that, like the relationship between grant-in-aid student athletes and Northwestern, are well outside the conventional mold of the master-servant relationship. But even assuming the common law test can provide some illumination on this issue, applying it correctly in light of all of the incidents of the relationship

similarly reveals that the student-athletes here are students and not statutory employees with collective bargaining rights over the terms and conditions of their extracurricular education.

Respectfully submitted,

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The undersigned certifies that on this 3rd day of July, 2014, I caused the following *Amicus Brief* to be filed using the National Labor Relations Board's E-Filing Program. The foregoing brief was also served by e-mail upon the following counsel:

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